

Classification: Public

Key Decision: Yes

Gravesham Borough Council

Report to: Cabinet

Date: 9 September 2024

Reporting officer: Paul White, Senior Development Manager

Subject: The purchase of 'The Former Builders Yard' site at Lower Range Road, Gravesend

Purpose and summary of report:

The report seeks approval for the purchase of 'The Former Builders Yard' site at Lower Range Road, Gravesend from Gravesend Churches Housing Association.

Recommendations:

1. The Director (Housing) in consultation with the S.151 Officer and Lead Member be given delegated authority to purchase the site.
2. The Director (Housing) in consultation with the S151 Officer and Lead Member be given delegated authority to use of relevant frameworks to procure and award contracts (including direct award if appropriate) in accordance with Gravesham's Procurement Strategy.
3. Director (Housing) in consultation with the S151 Officer and Lead Member be given delegated authority to negotiate and agree on amendments both contractually and budgetary if required as long as the returned tender price and any subsequent amendments, relative to anticipated rental income, continues to demonstrate the scheme can repay the associated borrowing within a period of not more than 30 years.

Key Implications:	
Item	Implications
Legal	A solicitor will be engaged to ensure the successful conveyance of the land on which the offer has been made subject to contract.
Finance and Value for Money	<p>In 2012 the Council entered into an agreement with MHCLG to retain additional Right to Buy receipts for investment in new affordable rented homes. As a consequence, the Council established a New Build scheme within the HRA's capital programme.</p> <p>From 2021, the scheme has been amended to allow Council's to apply retained Right to Buy receipts to 100% of capital spend on the net gain of properties delivered through the New Build and Acquisition programme for financial years 24/25. The Right to Buy receipts are now required to be spent within 5 years. The balance of funding for projects is provided either from existing HRA resources or through external borrowing. Finance Officers have</p>

	confirmed that' there is sufficient RTB funding available to subsidise the scheme.
Corporate Plan	One Community: an active, engaged and culturally enriched population, built on the foundations of an affordable and quality local housing offer.
Climate Change	The works to be undertaken contribute to the Council's Climate Change Strategy by: (a) Reducing carbon emissions in new build housing due to current Building Regulation carbon emission targets (b) Reduction in energy consumption and fuel bills for our tenants (c) Providing warmer energy efficient homes for our tenants (d) Use of renewable heating and hot water systems - Air source heat pumps

1. Background

- 1.1 In early 2024, Gravesend Churches Housing Association (GCHA) approached the Council regarding the possibility of purchasing a site they owned which they had decided that they no longer wished to proceed in developing due to a change in their budgetary priorities in concentrating on upgrading existing stock.
- 1.2 Details were shared with Gravesham's development team which confirmed that the site had planning permission (ref 20190520) for 14 x 2 bed flats originally granted to the previous owners in February 2019. The site was subsequently purchased by GCHA who then kept the planning consent open by starting on site, carrying out initial surface water drainage works to discharge a planning pre-commencement condition in February 2022. The site has been cleared and hoarded but no further work has been progressed.
- 1.3 GCHA have shared key information including plans, Board reports and previous valuations and a ground investigation report has also been obtained from the contractor that carried out the initial drainage works (Jenner). A meeting has also been held with GCHA's Employers Agent (Betteridge & Milsom) who had been working on the negotiations with the contractor originally lined up to do the construction work. The details of the planning permission and all conditions are obviously available online.
- 1.4 All the information obtained has been shared with the Council's valuation consultant (Graves Jenkins) who have valued the site at £525,000 on the open market.
- 1.5 GCHA have expressed their wish for the site to be developed for affordable housing and are therefore willing to accept an offer that is lower than what they paid for the site, which the valuation obtained is.

2. Current Position

- 2.1 The Council has offered the market valuation amount to GCHA of £525,000, who have indicated that they can only accept an amount that would be enough so that they would not be in breach of their main private funder's loan covenant.
- 2.2 The figure that the Council has offered is slightly below the minimum that GCHA can accept so as not to be in loan covenant breach. However, GCHA have suggested that this can be overcome if the Council is willing to pay the Section

106 Agreement planning costs relating to SAMMS and arboriculture that GCHA have already paid (two invoices of £6301.13 and £34,892.06) that would bring the total amount to be paid above the minimum loan covenant requirement. As the Council would be benefitting from the planning permission that GCHA have kept open by carrying out works to the site this would seem a fair approach.

- 2.3 Following consultation with the Management Team, the Lead Member and the Council Leader, the Council wrote to GCHA to make a formal offer subject to contract. The offer is to pay the market valuation and also effectively reimburse GCHA for the Section 106 Agreement fees they have paid.
- 2.4 Subject to Cabinet approval of this approach, solicitor's details will be shared, and the legal process will commence.

3. Procurement

- 3.1 Gravesham Borough Councils Procurement Strategy encourages the use of procurement frameworks as they are considered to be the most efficient and cost-effective route to legally compliant procurement. Research by consortiums has highlighted that the average cost of a non-framework procurement exercise is circa £20,000.
- 3.2 Gravesham Borough Council has been an active member of the Southeast Consortium (SEC) and London Housing Consortium (LHC), both delivering a wide range of pre-tendered frameworks through collaborative procurement arrangements involving a number of public sector organisations. These have been procured in accordance with domestic and European legislation, from which the Council may legitimately appoint contractors to meet their operational needs. There are other similar frameworks that the Council can use on the same basis.
- 3.3 The benefits of using the frameworks are as follows:

Southeast Consortium (SEC)

- Our annual cost with SEC is 25p per property.
- On completion of a procurement exercise SEC will charge 1.5% of the contract sum for the tender process. This cost is met by the successful contractor and not GBC.

London Housing Consortium (LHC)

- LHC are free to use and offer procurement and technical support as part of offerings at no charge.
- On completion of a procurement exercise LHC will charge 5% of the contract sum for the tender process. This cost is met by the successful contractor and not GBC.
- LHC members receive a % rebate if LHC make a surplus

- 3.4 The Public Services (Social Value) Act, 31 January 2013 requires those who commission public services to think about how they can also secure wider social, economic and environmental benefits. Prospective contractors will be asked as part of the tender process to outline what social value commitments they could bring to GBC if they are successful.

- 3.5 Officers will engage with both framework providers outlined above and others that found to be suitable to ensure the most appropriate and robust framework is utilised to both procure the main Employers Agent and other associated key consultancy services plus also appointing the main contractor to build the new block of flats.
- 3.6 GCHA have used Betteridge & Milsom as Employers Agent thus far and as they already have good knowledge of the site, current costs and consented designs and so officers will seek to appoint them through a suitable framework particularly as they are Kent based which would be in line with the Council's Procurement Strategy.

4. Scope of Works & Awarding Contracts

- 4.1 Once the Employers Requirements (ER's) and tender documentation are fully agreed by officers, the appointed Employers Agent will issue tender documents on behalf of the Council to help identify the most suitable contractors for those works as set within specified lots within the available frameworks already referred to.
- 4.2 When a contractor is identified from one of the pre-tendered lots, an initial expression of interest is made to ensure they are suitable, are interested and can undertake the works required at a competitive price. At this point a mini-tender exercise (or direct award) will be conducted. This is all managed by the framework provider in conjunction with Council officers and the Employers Agent.
- 4.3 Once this process has been completed, the winning tender is checked for any qualifications and provisional sums and a contractor selected. The Employers Agent will provide a Tender Report with their recommendation confirming value for money has been achieved. Contracts will then be drafted and finalised to enter into a formal contract, which will be checked and verified by the Legal team and involves an agreed Schedule of Amendments for the JCT Design & Build contract to be managed by the Employers Agent on behalf of the Council. The arrangements will then be confirmed by the Director (Housing) in conjunction with Director (Corporate Services), and Lead Member who will authorise the signing of the contracts.
- 4.4 To ensure competitiveness, contracts will be let with agreed Key Performance Indicators (KPI's). This approach will facilitate proactive contract management by the Employers Agent and relevant Council officers and will help ensure that contractors perform well throughout the duration of their contract with the Council.

5. Finance

- 5.1 A financial appraisal of the scheme has been undertaken based on the most recent cost estimates from the Council's recent tender processes and the Employers Agent. The current construction estimates to develop the approved scheme is £3.4m (BCIS Q3/24) – this is subject to market fluctuation and specific site circumstances. The total scheme cost including, land build, all fees and on-costs is £4,660,680.
- 5.2 The scheme will be funded through a combination of retained Right to Buy (RTB) receipts currently calculated for the financial appraisal as £2,257,356 and loan finance of £2,403,324. There is the possibility that liaison with Homes England may mean rather than RTB receipts Homes England grant may be secured allowing Right to Buy receipts to be used for other programme schemes in the pipeline. All units are proposed to be for Social Rent (subject to viability if circumstances change).

5.3 The robust financial appraisals undertaken for this scheme shows that the scheme pays back in the requisite number of years and currently shows a 2X-year payback and a positive Net Present value (NPV). However, this is based on current build estimates and therefore may fluctuate depending on inflation, cost of supplies and materials.

6. Appendices

6.1 There are no appendices.

7. Background Documents

7.1 There are no background documents.

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Secondary Implications	
Risk Assessment	The use of procurement frameworks such as those developed by SEC and LHC significantly reduces risk to the Council. In addition the GBC Procurement Strategy 2017-2020 actively encourages the use of frameworks for procurement.
Data Protection Impact Assessment	<i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i>
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data ? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. No
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk . Confirmed that successful contractors will be required to enter into a Data Sharing Agreement as part of the contract
Equality Impact Assessment	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No
	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
Crime and Disorder	N/A
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A